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Eaton
Yale &
Towne Inc.

Annual
Report 1968

Consolidated Summary Eaton Yale & Towne Inc. and Subsidiaries

For the year	1968	1967
Net Sales	\$889,826,346	\$786,638,485
Net Income	49,198,454	35,428,416
All Taxes, except Excise Taxes.....	76,719,597	59,599,311
Expenditures for Plant and Equipment.....	33,253,792	37,575,011
Depreciation and Amortization.....	21,730,455	23,002,976
Per Common Share:		
Net Income	2.89	2.05
Cash Dividends	1.33	1.25
All Taxes, except Excise Taxes.....	4.69	3.69
At the year end		
Working Capital	\$224,042,246	\$222,217,735
Total Shareholders' Equity	361,770,204	335,656,147
Shareholders' Equity per Common Share.....	19.76	18.12
Number of Common Shares.....	16,350,822	16,132,682
Number of Holders of Common Shares.....	41,716	42,822
Number of Employees	41,179	37,614

See notes to consolidated financial statements on Page 9, Financial Section, and notes to five-year consolidated financial summary on Page 11, Financial Section.



Annual Report 1968

To Our Shareholders

1968 was another year of major growth for Eaton Yale & Towne.

Consolidated sales of \$889,826,346 were record high. Net earnings, which were next to the highest achieved in the Company's history, totaled \$49,198,454, or \$2.89 per share.

Significant gains were made in many of Eaton Yale & Towne's diversified markets, particularly in the transportation components area, encompassing trucks and passenger cars as well as a variety of specialized vehicles, and in several of the industries served by our general product lines.

Considerable emphasis was placed during the year on reorganizing, strengthening and consolidating the operations of our Materials Handling Group. With materials handling remaining as one of the few areas where business and industry can reduce non-productive costs to any predictable degree, we regard this portion of our business as one that offers solid growth and profit potential. Our goal in the materials handling industry is marketing total systems capability on a worldwide basis, thus blending our varied products and technologies to design, engineer, manufacture, install and service.

Within the industrial power transmission field, too, we are aggressively pursuing opportunities to engineer and supply complete drive and control systems.

Our two acquisitions in 1968, American Monorail Company and Fawick Corporation, were in support of these goals. Both firms added new products to our established lines, to further extend our systems capabilities in the materials handling and industrial power transmission fields.

In recent merger action, we acquired Tinnerman Products, Inc. on January 31,

1969. The Cleveland-based company is a widely-known producer of highly engineered spring steel and plastic fastening and retaining products of a proprietary nature.

International operations broadened substantially last year and recorded a 24% improvement over 1967 for a total sales achievement of \$204,000,000.

Eaton Yale & Towne moved closer to true multinational status in 1968 by completing the integration of its international manufacturing, research and development and marketing operations into the five basic product groups which make up the corporate structure. This coordination of global efforts provides the Company with a considerably strengthened base to increase worldwide penetration of the markets we serve.

Further, we believe that among the basic responsibilities of a multinational company to its host government is the development and utilization of local resources, including products, services and, most importantly, manpower.

Eaton Yale & Towne's policy of training nationals for skilled jobs and leadership positions has been a strong contributing factor in the Company's international strength.

A number of capital investment programs were completed in 1968, and several others are nearing final stages. As Eaton Yale & Towne entered 1969, we had a \$39.6 million carry-over of approved programs, comprising 20 major projects ranging in diversity from a \$4.7 million expansion of our Detroit corporate Research Center to an \$800,000 new plant in North Carolina to manufacture golf grips. Additional projects are underway in the United Kingdom, Brazil, Argentina, Spain, Canada and in the U.S.

Eaton Yale & Towne has traditionally

supported an active research and development program. In 1968, R&D expenditures reached a new, all-time high of \$17.1 million.

Typical of the developments which have resulted from this ongoing commitment is the Auto-Ceptor Crash Restraint System, a remarkable life-saving automotive safety device which has an estimated potential of saving some 24,000 of the 60,000 lives lost annually on U.S. roadways. Auto-Ceptor is now in final testing and development stages.

Another example of our research efforts is the \$10 million research and development program which has created the Eaton Yale & Towne family of hydrostatic transmissions — a revolutionary transmission which provides forward or reverse movement in one, no-shift motion.

Changes in corporate management during 1968 included the election of Herbert S. Ide, Jr. to the Board of Directors and as vice president-finance. Succeeding him as vice president and treasurer was Herbert E. Rudy, formerly vice president and assistant treasurer.

Paul W. Olson and W. Ross Eames were elected to group vice presidencies, of the Truck and Off-Highway Components and Materials Handling Groups, respectively. Formerly general manager of the Eaton Axle Division, Mr. Olson succeeded Frank E. O'Callaghan, Jr., who retired after a long association with the Company. Mr. Eames was formerly vice president-engineering.

Frank C. Roberts, formerly assistant controller, succeeded Elmer F. Franz as vice president and controller. It is with regret that we record Mr. Franz' death last June. A dedicated executive, he joined the Company in 1963, with the merger of Yale & Towne which he had served as both director and vice president.

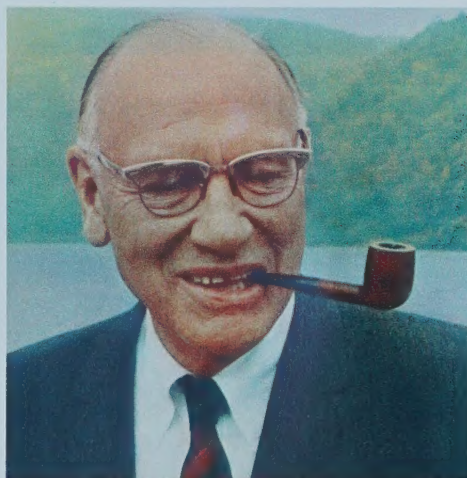
Two new officers were elected in 1968, thus broadening the executive staff. John V. Eakin, formerly executive vice president of Fawick Corporation, became vice president—Power Transmission Systems under a realignment within our General Products Group. Quentin N. Groth assumed responsibilities as vice president—international, a newly created position in the Truck and Off-Highway Components Group.

As for the future, we believe Eaton Yale & Towne has unique qualifications — among them, technological know-how, a broad product base and dedicated employees, including a task force of more than 2,000 highly skilled engineers — to meet the challenges emerging from history's headlong pace.

Eaton Yale & Towne is involved essentially in the business of designing, engineering, manufacturing and marketing products to move man, material and energy. We expect to participate fully in the opportunities afforded by three distinct fields: transportation, materials handling and industrial power transmission. With the age of automation literally "exploding," the latter two areas offer particularly appealing promise.

For the year ahead, most economists predict that 1969 will be a generally good year for business, although there are many factors which could affect the performance of companies such as ours — including the ultimate fate of the Federal surcharge, disposition of the Viet Nam conflict, the uncertainties of several key world currencies and, of course, general business conditions in the United States.

At this time, however, we are confident that Eaton Yale & Towne will register continuing upward gains for 1969 sales and earnings.



E. L. Ludvigsen

E. L. Ludvigsen
Chairman of the Board

February 26, 1969



E. M. de Windt

E. M. de Windt
President

Directors and Officers

Directors

- 22 Walker L. Cisler

17 Daniel Dewey

3 E. M. de Windt

19 John L. Dole

24 Frederick R. Eckley

23 Raymond F. Evans

10 Walther H. Feldmann

4 F. I. Goodrich

18 H. S. Ide, Jr.

31 Vernon B. King

1 E. L. Ludvigsen

32 Walter A. Marting

13 C. Sherwood Munson, Jr.

9 H. L. Pierson

29 Ellery Sedgwick, Jr.

30 John C. Virden
- Chairman of the Board, The Detroit Edison Company
former Vice President of the Company
President
former Chairman of the Board, The Dole Valve Company
President, The Ohio Bell Telephone Company
Chairman of the Board, Diamond Shamrock Corporation
Business Consultant
(former Chairman of the Board, Worthington Corporation)
Executive Vice President—Corporate Services
Vice President—Finance
President, Truck Engineering Ltd.
Chairman of the Board
President, The Hanna Mining Company
President, American European Securities Company
Chairman of the Executive Committee, Dura Corporation
Chairman of the Board, Medusa Portland Cement Company
Chairman of the Executive Committee

Honorary Directors

- Charles E. Hamilton

Eric W. Passmore
- former President, Automotive Gear Works Inc.
Attorney at Law

Executive Committee

Mr. Virden and Mr. Ludvigsen serve as members of the Board's Executive Committee for the full 12-month term. Mr. de Windt and Mr. Goodrich are alternate members. Each of the other directors serves a four-month term.

Officers

- 1 E. L. Ludvigsen

3 E. M. de Windt

4 F. I. Goodrich

7 Robert G. Allan

8 Melvin C. Arnold

27 Malcolm Daisley

2 John V. Eakin

21 W. Ross Eames

33 Quentin N. Groth

18 H. S. Ide, Jr.

25 Howard R. Johnson

26 Wm. A. Mattie

5 Paul W. Olson

28 Robert C. Ochs

34 Leo J. Pantas

11 Frank C. Roberts

6 John F. Romans

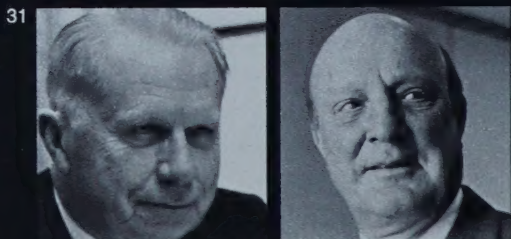
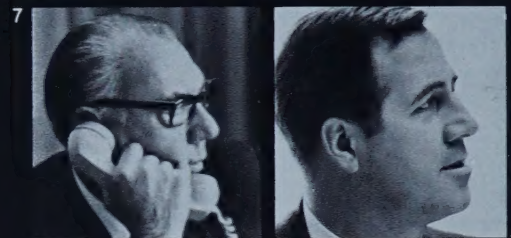
12 Herbert E. Rudy

14 Louis A. Selin

20 A. Clifford Thornton

15 W. H. Williams

16 Richard T. Sadler
- Chairman of the Board
President
Executive Vice President—Corporate Services
Vice President, Construction Equipment
Vice President and General Counsel
Vice President—Industrial Relations
Vice President, Power Transmission Systems
Group Vice President, Materials Handling Equipment
Vice President—International,
Truck and Off-Highway Components Group
Vice President—Finance
Group Vice President, Automotive Products
Group Vice President, General Products
Group Vice President, Truck and Off-Highway Components
Vice President, Truck and Off-Highway Components Group
Group Vice President, Locks and Hardware
Vice President and Controller
Vice President—Manufacturing Services
Vice President and Treasurer
Vice President, Automotive Products Group
Vice President—Administration Services
Vice President—Purchases
Secretary





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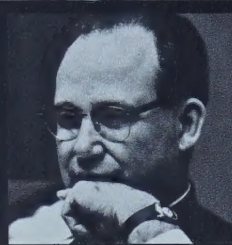
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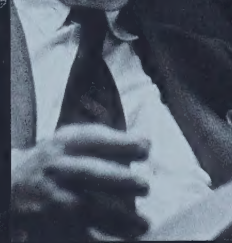


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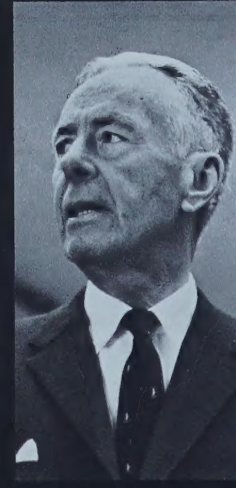
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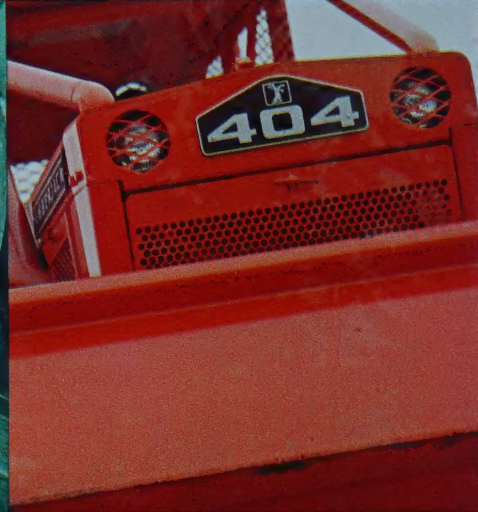
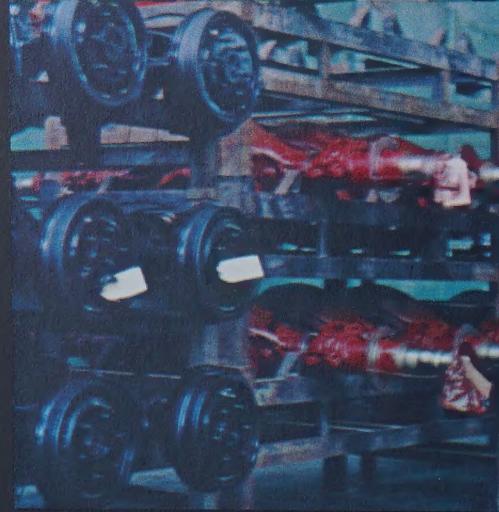
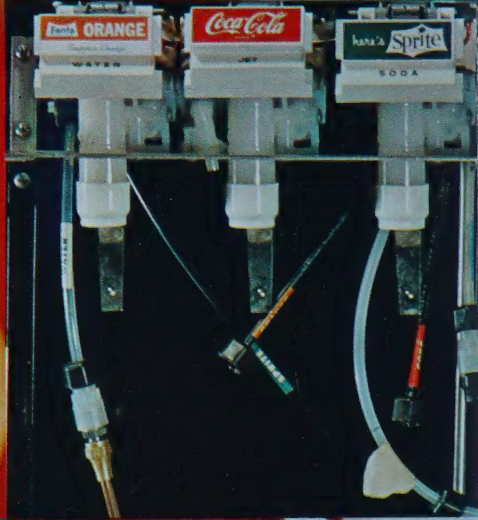
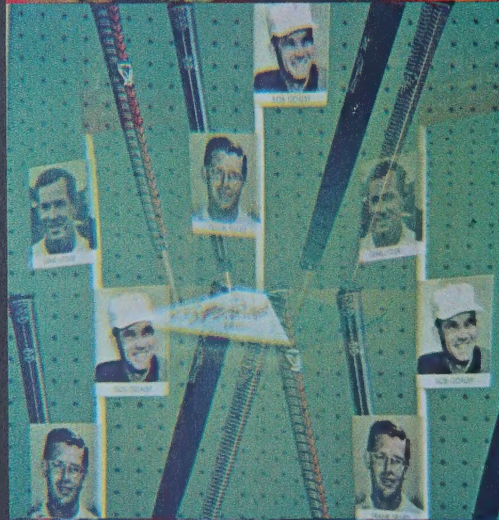
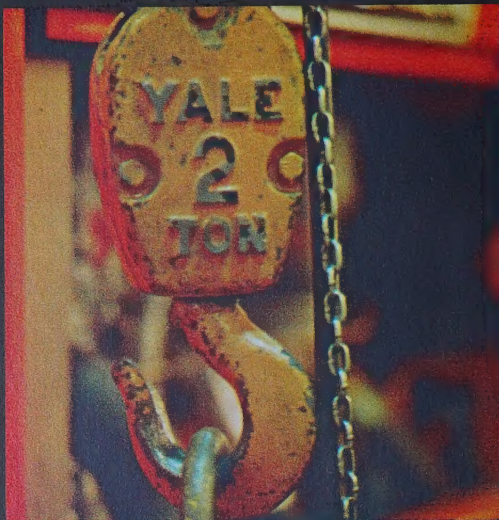


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One Inescapable Truth

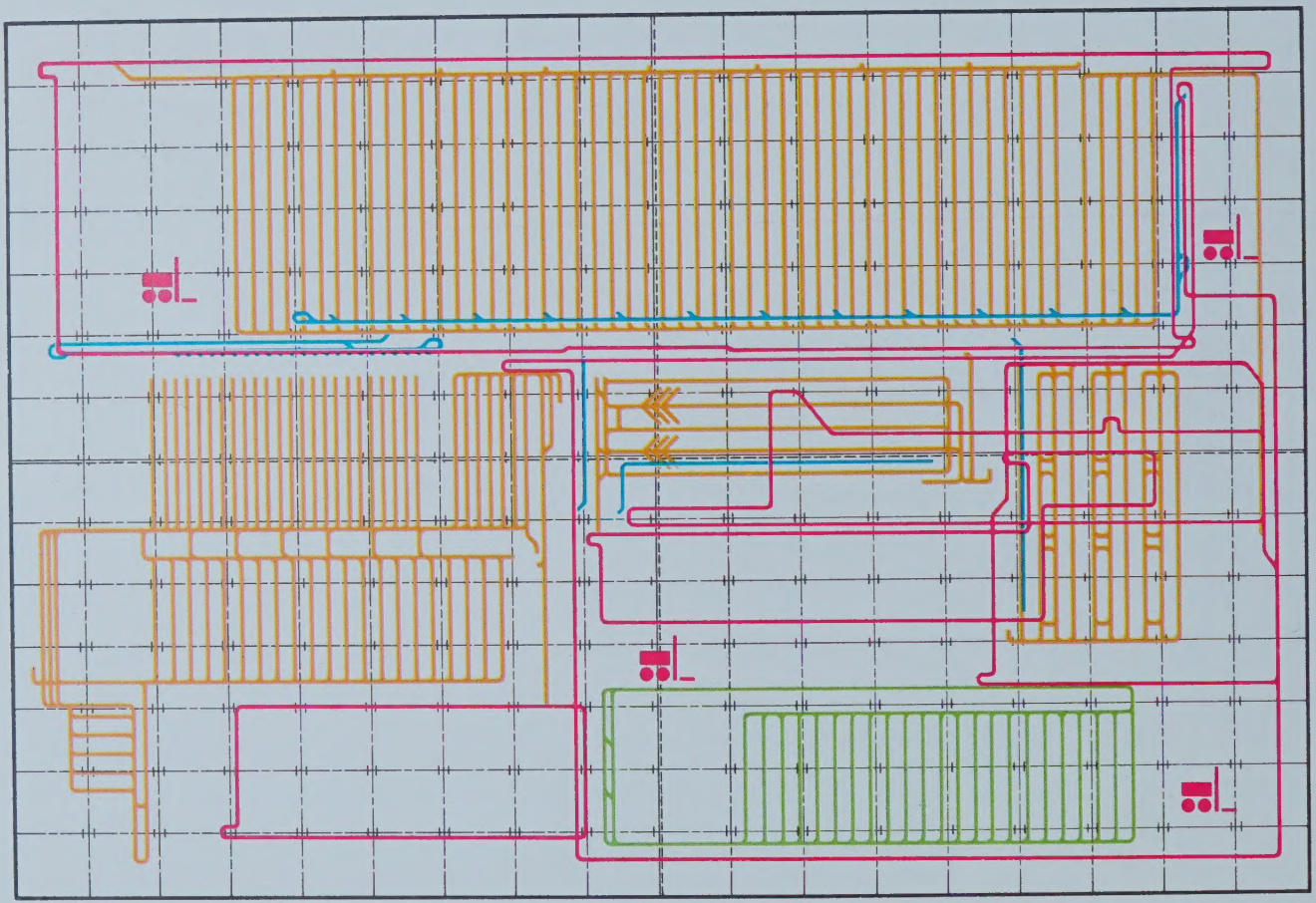
Almost daily we are asked who we are, what products do we make. In these moments my engineer's mind searches for a precise answer, and at the same time, yearns for a simple comprehensive response. How pleasant it would be if our forty-one thousand people labored to create one easily recognized product. On the contrary, our products are individually engineered to do thousands of different jobs. To our customers we are *Eaton* truck axles, *Fuller* truck transmissions, *Unit Drop* forgings, *Shuler* trailer axles, *Yale* builders' hardware, *Yale* lift trucks and power hoists, *Dole Valve* beverage dispenser controls and home appliance components, *Fawick* marine drives, *Dynamatic* adjustable speed drives and controls, *Dill* tire valves, *Saginaw* automotive valve lifters, *Marshall* power steering pumps and countless others. Aside from our *Yale* locks, *Eaton* humidifiers, and *Golf Pride* grips for golf clubs, not many of our products are well known to the public. A majority of the items we manufacture are components, which are widely used in the major products of our economy but which serve the ultimate customer unseen. Others of our products serve very specialized markets, such as *Yale* lift trucks, *Timberjack* skidders and *Trojan* front-end shovel loaders. Still, there remains one inescapable truth. Our products are everywhere around us—at home, at work, on the ground, on the sea and in the air.

—from a speech by Eaton Yale & Towne
Chairman E. L. Ludvigsen to The
Newcomen Society in North America,
October 10, 1968, in Cleveland.

... and a Definition

Perhaps the best way to categorize Eaton Yale & Towne, when you boil it down, is to say that we are essentially involved in the business of designing, engineering, manufacturing and marketing products to move man, material and energy. While the Company is large and diversified, a common denominator encompasses all of our operations. This is our emphasis on technical sophistication. The majority of our products are of a proprietary nature, whether they be of metal, plastic, rubber or any one of a number of new materials, and involve a high percentage of added value through unique production processes. As such, we believe our Company has unlimited opportunity for growth and profit through applied technology.

—from a speech by Eaton Yale & Towne
President E. M. de Windt to the
New York Automotive Analysts,
November 20, 1968.



Integrated diversification is the foundation of our accelerated growth as a technology-oriented business.

This diagram of a typical "turnkey" system embraces all of the materials handling modes necessary for effective, integrated operations. Each of the colors used here represents one self-contained element of a total system. The red portions (1), for instance, define the general floor scheme incorporating lift trucks and automatic conveyors. Illustrated in blue (2) is the transverse flow scheme of goods entering the main flow pattern from side aisles. These fully automatic feeder systems provide continuous flow channels and permit the coded bypassing of storage banks and heavy traffic areas. Systems evolution upward from floor level incorporates the use of monorails, fixed or movable hoists, highly sophisticated lift trucks and stacker cranes. The overhead monorail scheme is indicated here in green (3), while the bulk storage scheme is shown in brown (4). The entire system is designed to keep the flow of incoming, in-process and finished products moving at an efficient pace.

Eaton Yale & Towne ended 1968 by chalk-ing up major gains towards its commitment to growth worldwide.

Key factors emphasized in shaping a corporate framework within which to grow were: continued technological superiority and the development of proprietary products and techniques, selective acquisition and internal expansion, product diversification and further growth abroad.

One of the most concentrated areas of activity over the year past has been in extending Eaton Yale & Towne's efforts in "systems technology."

Although Eaton Yale & Towne applies systems engineering and systems management techniques to a number of areas, its backlog of experience, product lines and facilities make it an acknowledged leader in the fields of materials handling and industrial power transmission.

Adding to its systems capabilities in both areas during 1968, and further diversifying the Company in several fast-growing industries here and abroad was the



acquisition of American Monorail Company and Fawick Corporation, both Cleveland-based firms.

The Company's involvement in the systems field is one of natural evolution. Pioneering technology is a cornerstone of Eaton Yale & Towne's origin. Spurred on in recent years of rapidly accelerating change, advanced technology remains a cornerstone of its operations today.

Eaton Yale & Towne is today a diversified, multinational organization concerned with the development and manufacture of sophisticated proprietary products and processes for the automotive, trucking, appliance, materials handling, metal-

working, power transmission, construction and a host of other industries.

Behind the Company's continuing growth during the year past were some 41,000 men and women working at 94 Eaton Yale & Towne facilities. Their combined talents and energies helped push to well beyond 3,500 the number of products we manufacture in 13 nations.

Although the Company's growth pattern spans some four decades, the period of most marked change, in both Eaton Yale & Towne's capabilities and product mix, has been in the five years ending with 1968.

Everything that Eaton Yale & Towne makes or does today relates to one of five major product groupings.

These groups, along with the percentage of business for which each accounted in the year past, are: truck and off-highway vehicle components, 30%; materials handling, forestry and construction equipment, 25%; passenger car products, 20%; control systems and general products, 18%; and locks and builders' hardware, 7%.



Among the basic fundamentals that have guided Eaton Yale & Towne through the years of accelerated growth has been an absolute adherence to fostering an integrated diversification, a particularly rewarding course for a technology-oriented business.

Worldwide growth has been hard,
fast and pegged to our belief that
the green years are still ahead on
the international front.



Eaton Livia S.p.A. became a wholly owned subsidiary in 1968. The Torino-based firm is the largest independent producer of engine valves in Italy and among the largest in the European Common Market. In the U.S., the Company's leadership position in the industry has resulted in a score of major "firsts." Eaton Yale & Towne was, in fact, using and developing "space age" metals for the fabrication of superior internal combustion engine valves long before there was a space age. The inset photo shows strain gauge analysis, a sophisticated technique for determining the strength of engine valves.

*Fawick's famed **Golf Pride** grips moved Eaton Yale & Towne into a new and fast-growing consumer market.*

Fawick's well known **Golf Pride** golf club grips, for instance, were smoothly incorporated into the diversified lines of the General Products Group.

The Company's general products range from gears for farm equipment, fasteners and variable speed drives to beverage dispensers, water coolers, showerheads and home humidifiers, to name a few.

In support of its fast-paced international growth program, Eaton Yale & Towne moved on a number of fronts during the year past.

Among other actions, the Company formed in joint venture a new associate company, Productos Eaton Livia S.A., near Barcelona, Spain; acquired majority interest in Yale de Venezuela, a newly organized company in Caracas; dedicated Eaton Tool, a new plant in Torino, Italy; and purchased Elettrotecnica Padana S.R.L. in Casale Monferrato, Italy.

Productos manufactures poppet valves, push rods and valve seat inserts for internal combustion engines and

\$30 million. The licensing program, which a decade ago consisted of a few in Europe, has as well spurted up and out in every direction.

Eaton Yale & Towne's decision to participate actively and fully in expanding global markets crystallized early in the 1960's. Today, on every continent and in every clime, the products of its advanced technology are helping improve the lot of men and meet the rapidly changing needs of a growing world population.

Many factors have influenced the Company in hopscotching national boundaries. Most frequently it has gone abroad "on invitation," where long established U.S. customers with overseas facilities have requested continuance of the supplier relationship.

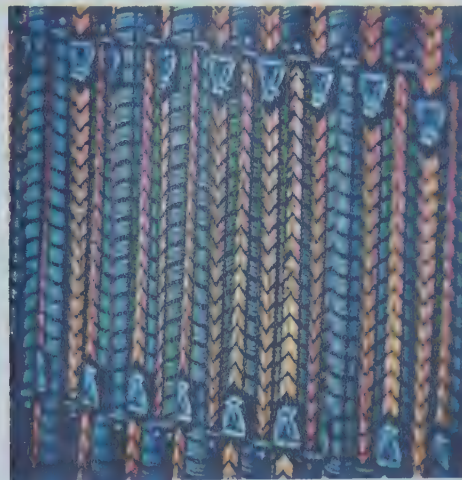
Another motivation for developing globe-girdling supply lines was the Company's intent to capitalize fully on its research investment in new and improved products.

Various market-related decisions have also contributed heavily to Eaton Yale & Towne's escalated international development. Depending upon the situation, any one or all of these considerations have affected international activity:

Developing New Markets—if this cannot be accomplished from the U.S.

Supplying Growing Markets—and thus enjoy ground-floor participation in major economic blocks.

Protecting Established Markets—and thereby penetrate trade barriers, such as laws that restrict imports.

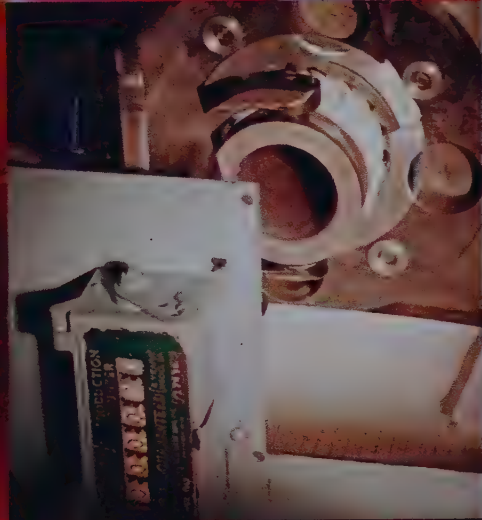


refrigeration compressors, while Yale de Venezuela makes and distributes locks and builders' hardware.

Eaton Tool designs and manufactures machine tools and related equipment. Elettrotecnica Padana, renamed Eaton Elpa S.p.A., manufactures solenoid valves and coils, dispensers, micro-switches and thermostats for household appliances.

By year end 1968, the number of Eaton Yale & Towne's international operations had climbed to almost 50, contributing 23%, or about \$204,000,000 to sales volume. A decade ago, the Company's manufacturing roots abroad were highly limited and sales amounted to less than

Research activity, as it was in the beginning, remains yet as the life-blood of our corporate existence.



If any single statement appropriately describes a multi-market, multi-nation manufacturer such as Eaton Yale & Towne, it is: Our Company designs, engineers, manufactures and markets products to move man, material and energy.

The three major areas encompassed in this definition—transportation, materials handling equipment systems and power transmission systems—represented more than 80% of Eaton Yale & Towne's 1968 volume. Security systems, as well as varied industrial and consumer products, constituted the remaining portion of the Company's business.

Eaton Yale & Towne's involvement in the transportation field dates back some 60 years, in actuality to the very beginnings of the prime industries served.

The Company's contributions to the automotive industry cover a vast range—from vital engine parts to heavy-duty truck components to a remarkable new, life-saving automobile safety product still in development stages.



Today, this segment of business represents almost one-half billion dollars annually in sales.

Transportation components produced by Eaton Yale & Towne are incorporated as original equipment in all passenger cars manufactured in the U.S. as well as in most buses, off-the-road vehicles and trucks.

It would, in fact, be difficult to name a truck manufacturer either here or in Canada that does not use a Fuller transmission or an Eaton axle.

Eaton Yale & Towne's truck component business is concentrated in the power train of the heavy-duty vehicle. Its share of market for transmissions (over 26,000

pounds G.V.W.) and axles (over 14,000 pounds G.V.W.) is second to none in the entire world.

Since 1962, sales of the Company's truck component operations have jumped from \$126 to \$268 million at year end 1968, or up 21% over 1967.

For the first quarter of 1969, reports indicate the strongest advance bookings for any period since the all-time record production year of 1966.

Long range forecasts for the trucking industry continue to be bright, with total truck production for 1972 estimated at 2,300,000 units, up 21% from 1,900,000 units in 1968.

Eaton Yale & Towne will benefit in fullest measure from the trucking industry's overall expansion.

In addition to drive axles, heavy-duty transmissions and brakes, the Company's original equipment lines for trucks include such products as trailer axles, electric and air shifting devices and steel forgings, to mention a few, as well as service parts for trucks of all sizes and weights.

Eaton Yale & Towne's passenger car business encompasses a broad line of products which fall into two basic categories: engine components and convenience and safety accessories, such as limited slip differentials and speed controls.

The Company deploys double-pronged strategy, based on current product improvement and new product development, to protect its worldwide leadership position in the components industry and to cushion against extreme or rapid fluctuations within the market.

For instance, Eaton Yale & Towne's broad range of transportation components—including such items as castings, engine valve tappets and hydraulic valve lifters, pumps for power steering, hydraulic transmissions and implement actuation, coil and leaf springs and engine valves—serves a variety of diversified markets.

Related components are supplied to a number of industries, among them: refrigeration, hydraulic equipment and household appliance, machine tool, air conditioning, business machine, tractor and farm implement, aircraft, diesel, marine and industrial equipment.

Eaton Marshall Division's performance over the years offers a classic example of the Company's ability to adapt to the ever changing requirements of the automotive industry.

A representative sampling of the many research projects underway in 1968, at the corporate center and at group and divisional levels as well, provides a measure of the Company's creative approach to technology. Top row, l to r: super-alloy studies; forged gear strength analysis; experimental gas turbine parts. Middle row, l to r: ceramic patterns used in perfecting a production process; computer-designed decorative hardware; high-speed photographic analysis of a new axle component. Bottom row, l to r: functional studies of viscous fan drives; new designs in truck brake controls; experimental printed circuitry.

"Our Research Center must attempt to understand the many and diverse forces that create change in our complex industrial society. The possible effects of these forces provide us with the insight to initiate developments in areas that will most insure our corporate future."

**—Eaton Yale & Towne Chairman
E. L. Ludvigsen**

The Company's hydrostatic program was bred out of the cross-fertilization of technologies that prevail within the transportation components area.



Unequalled maneuverability, as demonstrated by the spinning of this multi-terrain vehicle, is just one of the convenience features of Marshall's hydrostatic transmissions.

A good part of Marshall Division's activity in 1968 was devoted to solidifying its leadership position as a producer of hydrostatic transmissions for garden, industrial and agricultural tractors, recreational vehicles and off-highway equipment, including heavy-crawler and construction machinery.

Marshall introduced its hydrostatic line, the result of a \$10 million research and development commitment, in 1967. Last year, three models moved into full production. A fourth is in pilot delivery and two others are undergoing extensive customer testing.

According to forecasts, some 350,000 hydrostatic transmissions will be produced annually by 1971. Within five years, this business is expected to generate for Eaton Yale & Towne over \$25 million annually in new sales.

Eaton Marshall Division ranks today as the nation's dominant producer of viscous fan drives, standard equipment on all air conditioned passenger cars, and limited

power steering systems for the next decade. Tooling for this production got underway in 1968 and first deliveries will be made by mid-year.

With application of this same pump in the medium-duty truck field, the potential market could be doubled.

Backed up by two major activities during the year past, the Company's truck transmission business offers exceptional growth opportunity, particularly in the diesel-fueled portion of the heavy-heavy duty market.

For one, increased capacity programs rolled into high gear in 1968, and, secondly, new transmission models were introduced to the world market with aggressive salesmanship.

Among other Eaton Yale & Towne plants that last year exploited technical strengths to penetrate new areas were the Saginaw and Valve Divisions.

Both plants are also currently engaged in major growth programs to expand their facilities for producing hydraulic valve lifters and engine valves, respectively.

For more than six decades, Eaton Yale & Towne has pioneered many of the concepts that have helped keep America "on the go." Today, the Company produces a vast range of components for trucks, passenger cars and a variety of specialized vehicles.



slip differentials, an axle accessory which helps a car to maintain traction in slippery driving conditions.

Both products were developed by Marshall and launched when the division's major customers integrated its power steering pump business. Marshall Division pioneered the development of power steering pumps some two decades ago.

With projections signalling increases in heavy-duty truck production and even greater increases in power steering for these vehicles, Eaton Yale & Towne has over the past several years developed a heavy-duty pump capable of fulfilling the predictable requirements for heavy-duty

A supplier of components for all types of internal engines, Saginaw is perfecting techniques of producing gas turbine parts by a new casting method.

In finalizing the process, which provides exceptional quality and dimensional accuracy, Eaton Saginaw Division is working closely with all manufacturers in the vehicular turbine engine field.

Eaton Valve Division in 1968 expanded its line of forged gears to make new inroads in the heavy agricultural implement market where they offer greater strength at lower cost. Valve plant's speed control business, introduced in 1967, is expected to double in the 1969 model year.

Many of our ideas turn into
products to move man, material
and energy.



Among the promising new product projects currently underway for the transportation components field are a hub reduction axle and a blocker device, which will allow for greater ease in shifting truck axles, and the Auto-Ceptor Crash Restraint System.

All three products are in late development stages.

Auto-Ceptor, a concept nourished and encouraged by a tradition of assuming calculated risk to achieve a more efficient end result, cannot help but have a profound effect upon one of the most horrendous problems facing Americans.

Now undergoing final and exhaustive testing with all four U.S. automobile manufacturers, Auto-Ceptor offers the hope of saving almost one-half of the lives lost annually on U.S. roadways—as well as preventing some 900,000 traffic injuries.

The life-saving unit, which could become consumer market reality within 18 to 24 months, combines three basic elements: a crash sensor, a container of compressed gas and a folded, deflated air cushion.



Neither driver nor passenger need take any action to trigger the mechanism.

In a crash situation, the sensor actuates the cushion which inflates in 1/25 of a second. In less than a second, the cushion effectively absorbs the forward thrust of the riders and deflates to return them to their seats, thus eliminating the often fatal "second crash."

In addition to its component contributions to a broad variety of specialized vehicles, the Company, through its Trojan Division and Timberjack subsidiary, is a producer of off-highway equipment.

Trojan rubber-tired tractor shovels and Timberjack logging equipment enjoy

worldwide reputations as top performers.

Timberjack Machines Limited, in Woodstock, Ontario, ranks as the world's largest supplier of wheeled skidders. It also produces utility and heavy-duty vehicles for the forest and mining industries.

One phase of its concentrated research and development program culminated in 1968, resulting in the addition of shears, grapple skidders and tree harvesters to its product lines this year.

In support of its reputation as a leader in the development and application of mechanical equipment for woodlands use, Timberjack's goal is to manufacture diversified forest equipment which will keep pace with the industry's growing need for automation.

Home-based in Batavia, New York, Trojan Division has paced the rapid growth of the rubber-tired tractor shovel industry over the past decade.

Between 1958 and 1968 the industry's dollar sales increased by 400%, while Trojan scored a gain of almost 500%.



Regarded today as one of the fastest growing tools in the construction machinery field, the multi-purpose loaders are utilized by general contractors, federal, state and municipal government agencies and the various aggregate industries—sand, gravel and quarry, among others.

In 1968, the Company granted for the first time Trojan manufacturing rights in Japan. The licensee, Sumitomo Machinery Co., Ltd., of Osaka, is part of a large industrial complex specializing in materials handling and construction equipment.

Because of its rapidly expanding construction activities, Japan offers excellent potential for these products.

Versatility is Trojan's middle name. Eaton Yale & Towne's rubber-tired tractor shovel, shown here as it appeared on the August front cover of Construction Equipment and Materials magazine, is primarily a loader of bulk materials. It also serves as an excavator, scraper, bulldozer and snowplow.

Thorough testing of the Auto-Ceptor Crash Restraint System consists of many programs, including actual barrier crashes with instrumented dummies.

"Turnkey" systems generate new dimensions in our materials handling capabilities.



One plane in two-and-a-half days is the speed at which The Boeing Company will paint its giant 747 superjets during 1969 and '70. Service personnel can reach every inch of the 350-passenger fuselage through push button control on these American Monorail work platforms suspended from overhead cranes. Monorail's installation at Boeing's Everett, Washington, service facility incorporates two double-decker and eight single-decker platforms. They adjust perfectly to the detailed contour of the five-story high airship

For the year past, Eaton Yale & Towne's sales of materials handling equipment and systems rose to \$216,932,000 from \$184,950,000 in 1967.

This increase reflects the acquisition of American Monorail Division during the year. More importantly, it mirrors the trend which may provide the Company its greatest source for profits in years ahead.

Forecasts predict that by 1972, materials handling equipment business in the U.S. alone will reach a level of \$3 billion, a growth of about 50% over 1967.

Within the industry itself, the prime trend today is "turnkey systems," a concept hewn from the philosophy of "single source responsibility" for designing, engineering, manufacturing, marketing and servicing materials handling equipment.

The turnkey systems concept is, as well, a response to the quest of customers seeking a total answer to such problems as controlling fixed operating costs with hardware, improving equipment efficiency and solving the manpower bind.

The materials handling industry has been described as "being poised for a third- or fourth-wave renaissance." Based on our dual strengths, hardware and know-how, we believe Eaton Yale & Towne is at the forefront of this new wave.

The Company's expanded materials handling product mix today includes overhead cranes and monorails, overhead and floor mounted stacking/retrieving devices and conveyors, as well as interface equipment for computer control.

With manufacturing facilities in the United States, Canada, England, Germany, Mexico and Brazil, and licensees in India, Australia, France and Japan, Eaton Yale & Towne is strategically positioned in every major growth market in the world.

We possess the technical command to automate materials flow, whether in manufacturing, processing, warehousing or goods distribution. To the extent that Eaton Yale & Towne can engineer and market materials handling projects, the future seemingly holds no limitations.



American Monorail cranes, produced at the Cleveland-based plant shown here, and Yale lift trucks (brake pedal assemblies for this equipment are shown in the left photo) are two of the major products utilized in a materials handling systems environment.

Eaton Yale & Towne is committed to the turnkey systems concept. The Company's involvement, in terms of capital outlay, design and research facilities, manufacturing capabilities and marketing strategy, is on a worldwide basis.

Until just two years ago, Eaton Yale & Towne's primary contributions to materials handling markets were industrial lift trucks and hoists. These products are regarded as leaders in their respective industries, and we anticipate continuing, accelerated growth for both lines.

In broader perspective, however, these quality products formed a solid base for our mushrooming systems efforts.

Typical of the major systems contributions made by Eaton Yale & Towne during 1968 are:

- ☐ Nuclear waste-disposal systems for atomic power stations.
- ☐ Computer controlled storage and retrieval warehousing systems for retail stores.
- ☐ Material handling system for a new textile mill which reduced floor-space requirements by 40%.
- ☐ A material-flow system for a tire-retreading plant which increased output 65%.
- ☐ Automated bread-baking system that increased output 40%.
- ☐ A computer-controlled, automated cold-storage plant.

With the age of automation literally "exploding," our industrial power transmission business offers singular opportunity.



Farval Division will add a new dimension to atomized oil methods this summer when it introduces a revolutionary system of lubrication to the trade. Utilizing the vortex design of swirling air, the new lubricating principle provides high density misting of heavy viscosity oils without heating air or oil. Advanced tests prove the vortex application distinctly superior to any previous method. The new system also assures maximum "lube protection" of severe-service machinery.

The field of industrial power transmission systems is another area which offers significant growth potential for Eaton Yale & Towne.

During the past decade, Eaton Yale & Towne has entrenched itself as a leader in the rapidly expanding science of "moving energy" as well as a pioneer of imaginative innovations in industrial automation. Fortified by a broad product base and technological expertise, our IPT operation has the unique capability to offer a range of industrial applications that is virtually endless—literally extending from the outer limits of space to the ocean's bottom.

Eaton Yale & Towne can provide the driving force, controls and equipment that bring the full effects of the age of automation to myriad vital industries.

Today's skyrocketing demand for automated machinery not only reflects the growing need for infinite precision and speed, but also stresses the all-important cost reduction factor accruing from improved machinery utilization.

Textile manufacturers can now survive only with fully-automated plants.

Eaton Yale & Towne's advanced position in electronic controls and circuitry places it at a vantage point viewed broadly and sought after by buying customers.

Our capabilities in the field of industrial power transmission systems were further extended with the merger of the Cleveland-based Fawick Corporation early last year. Fawick's Airflex Division produces industrial clutches and brakes.

A few specific achievements accomplished during the year:

- Installation of controls for an anti-water pollution project for a major city. The project is controlled by Eaton Yale & Towne solid state, integrated circuits with eddy-current drives and adjustable speed motors.
- Completion of an adjustable-stroking rate stamping press drive that doubles production for a major auto manufacturer and reduces labor requirements by 75%.
- Development of an adjustable speed

Quality industrial power transmission components from Fawick Airflex Division (left) and Cleveland Worm & Gear Division provide greater machine utilization rates for users of many types of machine tools and other production machinery.



The degree of sophistication of Eaton Yale & Towne's power transmission products—adjustable speed drives, gear reducers and transmissions, clutches and brakes, lubrication systems, mechanical and electronic controls—offers the very solutions sought by industry.

Aerospace, computer equipment and electronics firms continually need newer and lighter-weight gearing and controls in smaller sizes to operate at faster speeds with greater load.

Machine tool manufacturers require more precise speed regulation and greater synchronization of multiple operations to produce more parts at higher speeds.

electronic control system for processing delicate, man-made polyester fibre with cotton and wool fibres to form a super-strong product with controlled shrinking.

□ Installation of bow-thruster drives for oceanographic ships to precisely locate the ships over drilled hole areas.

A popular national magazine has predicted that by 1970, the industrial power transmission market will reach \$20 billion yearly. The breadth and scope is boundless with great emphasis continuing toward the "systems" requirements.

Eaton Yale & Towne recognizes the challenge and will act to further strengthen its position in an exploding marketplace.

Eaton Yale & Towne supports a globe-girdling capital expenditures program, as broad in scope as it is in purpose.





To strengthen and maintain its position in all of the nations in which it has operations, Eaton Yale & Towne supports a selective capital investment program. Capital expenditures in 1968 amounted to \$33,253,792, with over half of these funds being devoted to expansion.

During the past four years, Eaton Yale & Towne has spent an average of \$37 million annually in capital expenditures. This figure has been about equally divided between increased capacity and cost reduction through improved manufacturing methods and an effective replacement policy.

For the current year, Eaton Yale & Towne has the biggest carry-over of approved capital investment projects in its history—approximately \$39.6 million, representing, in part, these 20 major projects:

Southfield, Michigan \$4.7 million, 121,500-square foot expansion to consolidate and expand the laboratory, engineering and administrative facilities of the Eaton Yale & Towne Research Center.

Marshall, Michigan \$500,000, 40,000-square foot building to house engineering, testing and sales facilities of Eaton Marshall Division's hydrostatic transmission program. Value of building and equipment will be about \$1 million.

Machinery, equipment and tooling expansion of almost \$1 million to support production of Marshall Division's new line of heavy-duty truck pumps.

Kearney, Nebraska—\$6 million, 140,000-square foot new Valve Division plant and equipment to produce automotive engine valves.

Laurinburg, North Carolina \$800,000, 35,000-square foot new manufacturing plant and equipment to increase production facilities by 35% for the Flexi-Grip Division, a supplier to the sporting goods industry.

Carol Stream, Illinois \$4.5 million, 100,000-square foot headquarters for Dole Valve Company, to merge administrative, engineering, research and development operations, and to establish a high-rise, 80,000-square foot completely automated warehouse and distribution center. The latter will be a model of advanced materials handling concepts.

Rochelle, Illinois \$760,000, 95,000-square foot new plant to consolidate Dole Valve manufacturing operations in that area.

Kalamazoo, Michigan \$772,000 program to expand research and development and engineering operations at the Fuller Transmission Division.

\$2.1 million expansion to step up manufacturing capacity at Fuller's plant in Shelbyville, Tennessee.

Roxboro, North Carolina \$1.3 million, 120,000-square foot addition to the Dill Division Plant for manufacturing tire valves and rubber and screw machine products.

Saginaw, Michigan \$4.5 million expansion to increase Eaton Saginaw Division's hydraulic lifter production capacity. Program includes two buildings, a 65,000-square foot one at the main plant and an 8,000-square foot addition at its foundry in Marshall, as well as machinery and tooling at both locations and at Saginaw's Wallaceburg, Ontario, operation.

Farmington, Michigan \$1 million, 58,000-square foot sales and service branch for the Yale Materials Handling Division. Cost includes equipment as well.

Woodstock, Ontario \$300,000, 24,000-square foot factory and office expansion for Timberjack Machines Limited.

Pamplona, Spain \$1 million, 83,000-square foot factory and office building addition and machinery to produce Yale housings at Eaton Iberica, S.A.

Willenhall, England \$2.2 million program at Yale Locks and Hardware Division to improve manufacturing facilities and build a new brass foundry for the manufacture of builders' hardware.

Buenos Aires, Argentina completion of a \$3.2 million, 75,000-square foot new foundry and equipment for production of malleable, nodular and gray iron castings at Eaton Fundiciones, I.C.S.A.

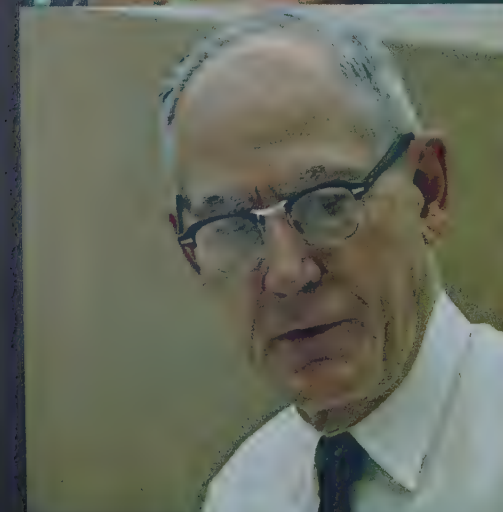
Wednesfield, England \$273,000 addition to Yale Tractor Shovel Division's factory.

Sao Paulo, Brazil \$500,000 equipment and tooling expansion to increase truck transmission production capacity at Eaton Yale & Towne Ltda., Fuller Division.

Livingston, Scotland \$575,000 expansion program to manufacture certain Yale Locks and Hardware Division product lines.

Sao Paulo, Brazil \$500,000 expansion at Eaton S.A. to provide increased production capacity for engine valves and automotive air conditioners.

Undefinable in statistical terms,
the talents of our people are among
our greatest assets.



"I think rightfully we could be called a 'people' company—as we place strong emphasis upon the personal—and personnel—side of our business. People are the focal point in our constant quest for growth. It takes a special individual to design, produce and market products for a growing company."
—Eaton Yale & Towne President E. M. de Windt

More than 41,000 men and women were engaged in the Company's worldwide operations in 1968. Their ability and dedication continue as a major factor in Eaton Yale & Towne's growth. Currently, about 28,000 people are employed in the United States, with approximately 13,000 men and women at work in Canadian and international plants and offices.

The Company has traditionally placed great emphasis on personnel development. To this end, Eaton Yale & Towne sponsors a variety of programs ranging from accident prevention to management fundamentals, as well as a number of inplant and classroom training courses designed to encourage and extend personal skills.

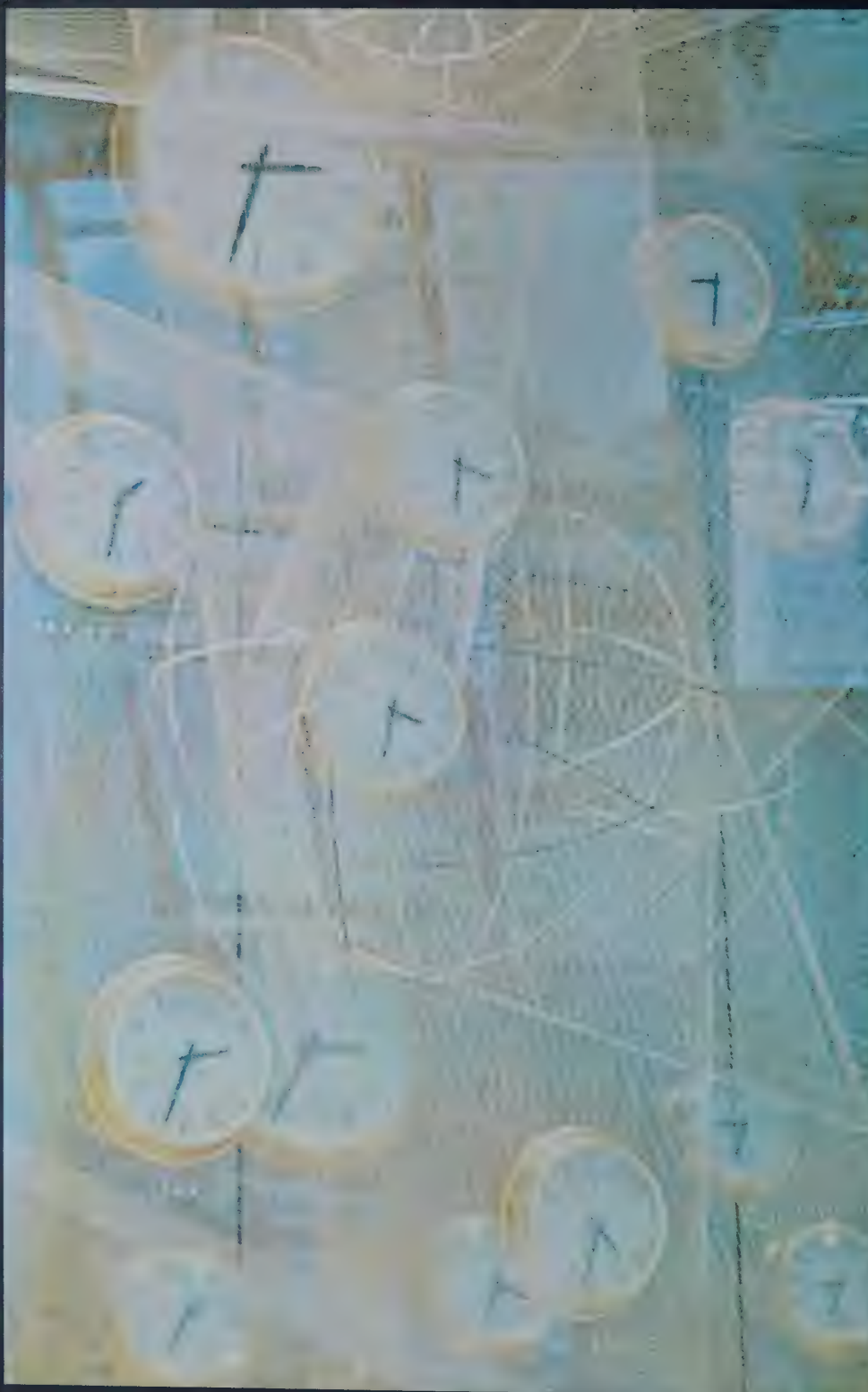
As Eaton Yale & Towne's growth creates new management opportunities, many outstanding younger employees have been promoted to positions of increased responsibility. To assure continuing and maximum fulfillment of one of the Company's oldest personnel policies, "promotion from within whenever possible," a systematized 'inventory' of key people at all levels of responsibility was augmented during the year.

College recruitment programs were aggressively pursued in 1968. In recent years, the Company's aid-to-education efforts have been supplemented by programs providing scholarships to children of employees, contributions to selected colleges and universities and the Employee-Employer Matching Gift Plan. Eaton Yale & Towne also continues to play an active role in the employment and training of the disadvantaged.

Labor contract negotiations were concluded at 12 U.S. and Canadian manufacturing operations during the year past. Production efficiencies, which become even more imperative as wage and fringe benefit costs continue upward, partially helped offset the inflationary nature of these settlements.

Ten important labor contracts are due for negotiation in 1969.





Truck and Off-Highway Components Group

Eaton Axle Division
Cleveland, Ohio
Eaton Marion Division
Marion, Ohio
Fuller Transmission Division
Kalamazoo, Michigan
Shuler Axle Division
Louisville, Kentucky
Unit Drop Forge Division
Milwaukee, Wisconsin
International Operations
Eaton Automotive Canada Limited
London, Ontario, Canada
Eaton Axles France, S.A.
Chartres, France

Eaton Axles Limited
Warrington, England
Eaton Ejes, I.C.S.A.
Buenos Aires, Argentina
Eaton Fundiciones I.C.S.A.
Buenos Aires, Argentina
Eaton-Fuller Australia Pty. Limited
North Rocks, N.S.W., Australia
Eaton Iberica, S.A.
Pamplona, Spain
Eaton Yale & Towne G.m.b.H.,
Fuller Transmission Division
Velbert/Rhineland, West Germany
Eaton Yale & Towne Ltda., Fuller Division
Sao Paulo, Brazil
Eaton Yale & Towne (U.K.) Limited
London, England
Axle Division
Aycliffe, Darlington, England
St. Albans Division
St. Albans, Hertfordshire, England
Transmission Division
Worsley, Manchester, England

Materials Handling Group

American Monorail Division
Cleveland, Ohio
Automated Handling Systems Division
Washington, D.C.
Automatic Lift Truck Division
Chicago, Illinois
Salem Division
Salem, Virginia
Yale Hoisting Equipment Division
Forrest City, Arkansas
Yale Materials Handling Division
Philadelphia, Pennsylvania
International Operations
Canadian Materials Handling Division
St. Catharines, Ontario, Canada
Eaton Yale & Towne G.m.b.H.,
Materials Handling Division
Velbert/Rhineland, West Germany
Eaton Yale & Towne Ltda., Yale Materials
Handling Equipment Division
Sao Paulo, Brazil
Yale Materials Handling Equipment Division
Wednesfield, Staffordshire, England

Construction Equipment

Trojan Division

Batavia, New York

International Operations

Canadian Construction Equipment Division

St. Catharines, Ontario, Canada

Eaton Yale & Towne G.m.b.H.,

Trojan Tractor Shovel Division

Velbert/Rhineland, West Germany

Eaton Yale & Towne Ltda., Yale

Construction Equipment Division

Sao Paulo, Brazil

Yale Tractor Shovel Division

Wednesfield, Staffordshire, England

Logging Equipment

Timberjack Machines Limited

Woodstock, Ontario, Canada

Automotive Products Group

Eaton Marshall Division

Marshall, Michigan

Eaton Saginaw Division

Saginaw, Michigan

Eaton Spring Division

Detroit, Michigan

Eaton Valve Division

Battle Creek, Michigan

International Operations

Eaton Australia Pty. Limited

Sydney, N.S.W., Australia

Eaton Livia S.p.A.

Turin, Italy

Eaton Tool Division

Turin, Italy

Eaton Metalurgica S.A.I.C.

Buenos Aires, Argentina

Eaton Precision Products Canada Limited

Wallaceburg, Ontario, Canada

Eaton S.A.

Sao Paulo, Brazil

Eaton Springs Canada Limited

Chatham, Ontario, Canada

General Products Group

Dill Division

Cleveland, Ohio

Eaton Foundry Division

Vassar, Michigan

Eaton Gear Division

Richmond, Indiana

Eaton Heater Division

Cleveland, Ohio

Flexi-Grip Division

Akron, Ohio

Reliance Division

Massillon, Ohio

Tinnerman Products, Inc.

Cleveland, Ohio

International OperationsThe Dill Manufacturing Company
of Canada Limited

Toronto, Ontario, Canada

Dominion Fasteners Limited

Hamilton, Ontario, Canada

Industrial Power Transmission Systems

Cleveland Worm & Gear Division

Cleveland, Ohio

Dynamatic Division

Kenosha, Wisconsin

Electro-Hydraulic Division

Cleveland, Ohio

Farval Division

Cleveland, Ohio

Fawick Airflex Division

Cleveland, Ohio

Mechanical Power Transmission Division

Kenosha, Wisconsin

International Operations

Eaton Manufacturing S.A.

Geneva, Switzerland

Fawick Canada, Ltd.

Scarborough, Ontario, Canada

Fawick N.V.

Roosendaal (N.B.), Netherlands

Hyltern Controls Limited

Aycliffe, Darlington, England

Lock and Hardware Group

Norton Door Closer Division

Bensenville, Illinois

Reed Door Devices Division

Wood Dale, Illinois

Towne Hardware Division

Rye, New York

Yale Banklock Service Company

Rye, New York

Yale Lock and Hardware Division

Rye, New York

International Operations

Canadian Lock and Hardware Division

Etobicoke, Ontario, Canada

Eaton Yale & Towne G.m.b.H.,

Lock and Hardware Division

Velbert/Rhineland, West Germany

Yale de Venezuela C.A.

Caracas, Venezuela

Yale Iberia S.A.

Madrid, Spain

Yale Locks and Hardware Division

Willenhall, Staffordshire, England

Yale S.p.A.

Rome, Italy

The Dole Valve Company

The Dole Valve Company

Carol Stream, Illinois

Kitco Engineering & Manufacturing Company

Bluffton, Indiana

International Operations

Constructions Industrielles

et Mecaniques (C.I.M.)

Monaco

The Dole Valve Company of

Canada, Limited

Oakville, Ontario, Canada

Eaton Livia S.p.A.,

ELPA Division

Turin, Italy

Associate Companies

Alligator Ventilfabrik G.m.b.H.

Glengen/Brenz, Wuerttemberg, West Germany

Cerraduras de Colombia S.A.

Bogota, Colombia

Eaton Manufacturera S.A.

Toluca, Estado de Mexico, Mexico

Eaton Yale de Mexico, S.A.

Toluca, Estado de Mexico, Mexico

Fawick de Mexico, S.A. de C.V.

Mexico, D.F., Mexico

Hobourn-Eaton Mfg. Company, Ltd.

Strood, Rochester, England

Japan Fawick Co., Ltd.

Tokyo, Japan

Manufacturas Lock S.A.

Mexico, D.F., Mexico

National Friction Products Corporation

Logansport, Indiana

Productos Eaton Livia S.A.

Badalona, Spain

International Service Operations

Eaton Yale & Towne International, Inc.

Zug, Switzerland

Eaton Yale & Towne Credit S.A.

Zug, Switzerland

Eaton Yale & Towne Gesellschaft m.b.H.

Vienna, Austria

Eaton Yale & Towne Europa N.V.

The Hague, Netherlands

Eaton Yale & Towne Credit Corporation

General Offices

Cleveland, Ohio

Computer Operations

Telecomputer Center

Eastlake, Ohio

Telecomputer Center

London, England

Research and Development Centers

Research Center

Southfield, Michigan

Technical Center

South Euclid, Ohio

Hardware Design and Development Center

Rye, New York

Materials Handling Advanced

Engineering Center

Philadelphia, Pennsylvania

Manufacturing Licensees

Through a network of more than 50 manufacturing licensees, many countries — including Jamaica, New Zealand, India, Sweden, Japan and the Philippines — are supplied with the diversified products of Eaton Yale & Towne.

Corporate Offices

Eaton Yale & Towne Inc.

100 Erlevue Plaza

Cleveland, Ohio 44114

Representative Listing of Products

Eaton Yale & Towne manufactures more than 3,500 separate and distinct products. Most of those products are devoted to helping move man, material and energy. A representative listing of the Company's products and the industries they serve includes:

Appliance

- Dole ice cube makers
- Sheet metal fasteners and lockwashers
- Dole solenoid valves
- Appliance controls

Automotive

- Leaf and coil springs
- Engine valves and valve lifters
- Trac-Aide limited slip differentials
- Road speed control systems
- Dill tire valves and tire repair equipment
- Eaton air conditioning systems and components
- Dole engine thermostats and emission controls
- Kitco precision molded rubber components
- Dole vacuum servo components and temperature controls

Aviation

- Sodium-cooled engine valves and other piston-engine components
- Trojan tow tractors
- Dill strut valves
- Fuel tank caps

Basic Metals

- Cleveland worm gear speed reducers
- Yale and Automatic steel coil handlers
- Hellan fluid strainers

Building

- Yale locks and builders' hardware
- Norton door operators
- Towne ceramic and metal decorated hardware
- Reed door devices

Construction

- Trojan rubber-tired shovel loaders
- Yale manual hoists
- Eaton PDR axles for off-highway vehicles
- Multijack off-highway carriers
- Dole crane load computers
- Fuller transmissions

Consumer Products

- Dill tire pressure gauges
- Dole ice cube trays
- Eaton water filters
- Golf Pride golf club grips
- Yale humidifiers
- Sporting goods grips
- Yale locks

Electronics

- Dynamometers
- Variable frequency eddy current AC drives, DC solid state control drives
- Load cells
- Relays and timers
- Reversing, wafer and push-button switches

Food and Beverage

- Ajusto-Gear drives
- Narrow-aisle straddle lift trucks
- Motorized door operators
- Cold drink vending machines
- Temprite water coolers
- K-Way soda factories
- Dole juice and beverage dispensers

Farming-Logging

- Hydrostatic transmissions
- Gears and gear assemblies
- Timberjack skidders and tree harvesters
- Eaton 2-speed axles
- Fuller twin countershaft transmissions

Hydraulic

- Eaton hydraulic desurgers
- Flow control valves
- Cylinders
- Hydrostatic drives
- Farval centralized lubricating systems

Materials Handling

- Yale and Automatic lift trucks
- Yale electronic lift truck scales
- Yale hoists and trolleys
- Automatic air film pallet handlers
- Complete automated handling systems

- Forgings of all types
- Temprite packaged liquid chillers

Mining

- Trojan rubber-tired shovel loaders
- Dynamatic conveyor drives and controls
- Yale hoists

Plumbing and Heating

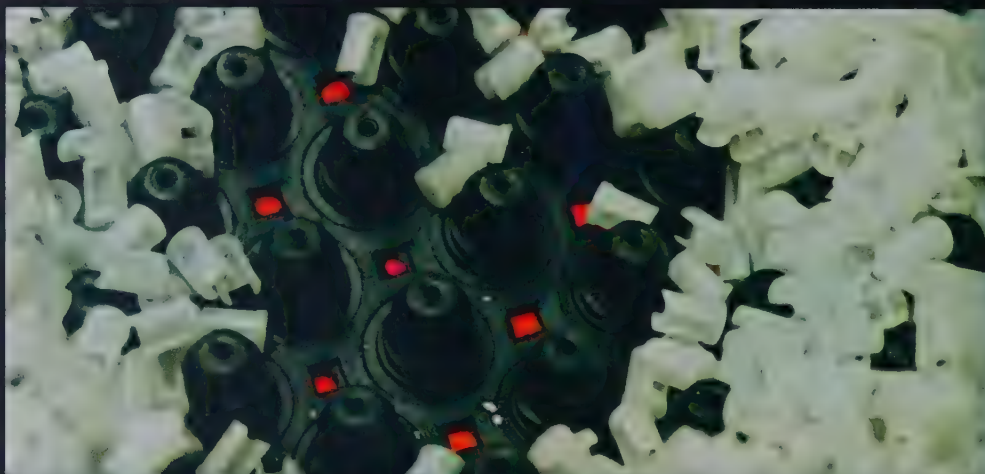
- Dole zone controls for hydronic systems
- Towne bathroom accessories
- Yale furnace humidifiers
- Dole showerheads and water flow regulators

Power Transmission

- Dynamatic eddy-current adjustable speed drives
- Centrifugal clutches
- V-belts of all types
- Pulleys, sheaves and hubs
- Fawick clutches and brakes
- Speed reducers Worm gearing
- Positive belt drives
- Variator mechanical variable speed drives
- Dyna-torQ electric friction clutches and brakes

Textile

- Mechanical and electrical variable speed drives
- Fawick clutches
- Automatic dispatch systems
- Textile cleaning equipment



Tested performance of Dill Division's new concept in valve applications for pressurized dispensers indicates a major breakthrough in the burgeoning pressurized container field. Skillfully engineered to simplify design and fabrication, the new assembly will rank as an industry first, both in effectiveness and economy. Penetration of the longstanding cost barrier offers exciting new vistas in sales and markets.

- Conveyor drives and controls
- Industrial truck batteries and chargers
- Stacker retriever cranes
- Overhead and floor-mounted power and free conveyors
- Monorail crane systems

Metalworking

- Dyna-torQ magnetic friction clutches and brakes
- Fawick pneumatic friction clutches and brakes
- Electrical and mechanical variable speed drives
- Permanent and shell mold gray iron castings

Trucking

- Eaton truck axles
- Roadranger truck transmissions
- Shuler trailer axles
- Truck and trailer brakes and brake components
- Eaton truck cab air conditioners

For a comprehensive listing of Eaton Yale & Towne's products, as well as its manufacturing facilities, please write for: **Product Directory**, Public Relations Department, Eaton Yale & Towne Inc., 100 Erieview Plaza, Cleveland, Ohio 44114.

Eaton
Yale &
Towne Inc.

Financial
Report 1968

Review and Outlook

1968—A Record Sales Year

Eaton Yale & Towne Inc. ended 1968 with the highest consolidated sales record in its history — \$889,826,346. Consolidated earnings for the 12-month period were \$2.89 per share on net income of \$49,198,454, next only to 1966, our record earnings year.

The Company's 1968 sales represented a 13% increase over 1967's \$786,638,485, and earnings rose 39% over the previous 12-month period. However, the federal surcharge reduced earnings approximately \$3,848,000, or 24 cents per common share.

Eaton Yale & Towne's 1968 performance was the result of significant gains made in many of the Company's diversified markets, particularly in the transportation components area—encompassing trucks, passenger cars and specialized vehicles—and in several of the industries served by the General Products Group.

The Company's 1968 figures reflect inclusion of sales and earnings of Tinnerman Products, Inc.—a Cleveland-based manufacturer of industrial fasteners—which became an Eaton Yale & Towne subsidiary on January 31, 1969.

Diversification Efforts—Strong Growth Factor

Eaton Yale & Towne's long-term diversification program advanced considerably during 1968 and resulted in a much-broadened marketing structure and product base, especially in the Materials Handling Group and the General Products Group.

Each of these two major areas underwent extensive marketing, product and personnel realignment designed to provide the Company with considerably strengthened future capabilities and capacities.

We anticipate increased profitability from these two groups in 1969 — and of particular interest is the enthusiastic response from numerous customers to our expanded systems capabilities.

Group contribution to sales volume in thousands	1967		1968	
		%		%
Truck and Off-Highway Components	\$221,100	28	\$268,138	30
Materials Handling & Construction Equipment . .	184,950	24	216,932	25
Control Systems & General Products	160,724	20	158,110	18
Passenger Car Products	157,519	20	181,232	20
Locks and Builders' Hardware	62,345	8	65,414	7
Total	\$786,638	100	\$889,826	100

Earnings Increased 86% Since 1963

Per share earnings have increased 86%, from \$1.55 to \$2.89, since 1963. In July, 1968, the Board of Directors increased the quarterly dividend rate on our common stock from 31¼ cents to 35 cents, a 12% increase. This action created an annual dividend rate of \$1.40 and was the fourth such increase in the past five years.

1968 Capital Expenditures \$33,253,792

The Company's capital expenditures in property, plant and equipment in 1968 totaled \$33,253,792. For the past five years — 1964 to 1968 — this represents a total expenditure of \$169,218,590.

Eaton Yale & Towne's capital investment program is aimed at improving our competitive position in all areas, as well as establishing new facilities to meet the product needs of major customers and our own increased market penetration.

Twenty major capital investment projects are delineated on Page 23, the two largest single projects being the new \$6 million Kearney, Nebraska, valve plant and a 4.7 million dollar extension to our Detroit corporate research center.

These 20 projects, and other expansion programs, represent a total carry-over of \$39.6 million in previously approved funds.

Financial Position

Eaton Yale & Towne maintained its strong financial position during 1968, and our working capital increased to \$224,042,246, up from \$222,217,735 in 1967.

Total shareholders' equity increased to \$361,770,204 at the close of 1968, up 8% from the 1967 total. Book value of each of the number of common shares outstanding at the end of 1968 rose to \$19.76, up from \$18.12 per share in 1967.

During 1968, Eaton Yale & Towne's borrowings increased from \$115,878,211 to \$128,454,240. At this time the Company does not anticipate any need for term financing in the near future.

How we spent our 1968 sales dollar

<u>%</u>		<u>Amount</u>
53.3	Material, Supplies and Services	\$474,115,966
6.5	U.S., Foreign, State & Local Taxes (Excluding Payroll Taxes)	58,027,303
2.4	Depreciation and Amortization	21,730,455
2.6	Dividends Paid	22,899,007
3.0	Reinvestment in the Business	26,299,447
32.2	Wages, Salaries and Employee Benefits	286,754,168
100.0	Total	\$889,826,346

Statement of Consolidated Income Eaton Yale & Towne Inc. and Subsidiaries

Years ended December 31, 1968, and December 31, 1967

	1968	1967	
		Restated for Poolings of Interests	As Previously Reported
Net sales	\$889,826,346	\$786,638,485	\$750,664,387
Other income	6,704,621	5,098,763	4,677,565
	<u>896,530,967</u>	<u>791,737,248</u>	<u>755,341,952</u>
Costs and expenses (including provisions for depreciation and amortization \$21,730,455 in 1968 and \$23,002,976 in 1967 as restated):			
Cost of products sold	647,457,829	585,722,579	563,688,266
Selling, administrative, research and development expenses	135,862,296	122,348,349	114,744,760
Interest expense	8,025,148	6,898,753	6,898,753
Provision for restricted currency income, exchange losses, and minority interests	1,348,240	2,986,151	2,986,151
	<u>792,693,513</u>	<u>717,955,832</u>	<u>688,317,930</u>
Income Before Income Taxes	103,837,454	73,781,416	67,024,022
United States and foreign income taxes	54,639,000	38,353,000	35,246,000
Net Income	<u>\$ 49,198,454</u>	<u>\$ 35,428,416</u>	<u>\$ 31,778,022</u>
Net income per average Common Share	\$2.89	\$2.05	\$2.11

*See notes to consolidated financial statements.**1967 expenses have been reclassified to conform with 1968 classifications.*

Statement of Consolidated Source and Application of Funds Eaton Yale & Towne Inc. and Subsidiaries
Years ended December 31, 1968, and December 31, 1967

		1967	
	1968	Restated for Poolings of Interests	As Previously Reported
Source of Funds			
Net income	\$ 49,198,454	\$ 35,428,416	\$ 31,778,022
Depreciation and amortization	21,730,455	23,002,976	22,249,501
Increase in long-term liabilities	—	48,639,171	48,345,391
Increase in amounts due banks	13,922,739	—	—
Increase in other current liabilities	25,247,935	—	—
Decrease in accounts and notes receivable	—	3,152,448	3,588,440
Sale of Common Shares under stock option plans	1,473,124	1,128,576	1,128,576
Change in cash and marketable securities	12,332	—	—
	<u>\$111,585,039</u>	<u>\$111,351,587</u>	<u>\$107,089,930</u>
Application of Funds			
Capital expenditures	\$ 33,253,792	\$ 37,575,011	\$ 35,647,489
Cash dividends	22,899,007	21,422,746	19,072,302
Decrease in amounts due banks	—	20,752,006	21,002,006
Decrease in other current liabilities	—	16,663,098	16,131,125
Decrease in long-term liabilities	1,613,897	—	—
Excess of cost over value of net assets of companies acquired	5,520,055	7,269,321	7,269,321
Increase in accounts and notes receivable	20,156,592	—	—
Increase in inventories	16,928,280	(58,788)	22,517
Other—net	11,213,416	3,917,949	3,121,073
Change in cash and marketable securities	—	3,810,244	4,824,097
	<u>\$111,585,039</u>	<u>\$111,351,587</u>	<u>\$107,089,930</u>

Consolidated Balance Sheet Eaton Yale & Towne Inc. and Subsidiaries

December 31, 1968, and December 31, 1967

		1967	
	1968	Restated for Poolings of Interests	As Previously Reported
ASSETS			
Current Assets			
Cash	\$ 31,831,971	\$ 31,110,904	\$ 29,373,586
Marketable securities and time deposits	2,353,158	3,086,557	245,541
Accounts and notes receivable less allowances of \$3,831,000 (\$2,878,000 in 1967 as restated)	135,258,668	115,102,076	110,961,417
Inventories—at lower of cost (principally at current standards) or market	216,143,309	199,215,029	193,704,750
Prepaid expenses	8,243,412	4,320,767	2,904,537
Total Current Assets	393,830,518	352,835,333	337,189,831
Other Assets			
Unconsolidated finance subsidiaries — at equity	8,331,652	6,484,531	6,484,531
Associate companies — at cost	2,495,885	2,541,264	2,125,014
Other assets and deferred charges	12,879,583	10,061,660	6,157,748
Excess of cost over value of net assets of companies acquired — at cost	13,860,607	8,340,552	8,340,552
	<u>37,567,727</u>	<u>27,428,007</u>	<u>23,107,845</u>
Property, Plant, and Equipment — on the basis of cost			
Land	6,989,935	6,018,878	5,813,710
Buildings	100,251,981	98,009,825	90,973,043
Machinery and equipment	244,360,194	234,865,027	224,210,822
	<u>351,602,110</u>	<u>338,893,730</u>	<u>320,997,575</u>
Less allowances for depreciation and amortization	160,295,066	159,706,104	151,740,825
	<u>191,307,044</u>	<u>179,187,626</u>	<u>169,256,750</u>
	<u><u>\$622,705,289</u></u>	<u><u>\$559,450,966</u></u>	<u><u>\$529,554,426</u></u>

		1967	
	1968	Restated for Poolings of Interests	As Previously Reported
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
Due to banks	\$ 52,984,228	\$ 39,061,489	\$ 38,611,489
Trade and other payables	80,980,879	64,623,743	62,106,902
Taxes other than income taxes	7,621,958	6,824,807	5,108,881
United States and foreign income taxes	26,427,268	18,992,265	18,273,288
Current portion of long-term liabilities	1,773,939	1,115,294	1,091,446
Total Current Liabilities	169,788,272	130,617,598	125,192,006
Long-Term Liabilities — less current portion — Note B			
4¾% Debentures due 1988	23,750,000	25,000,000	25,000,000
5½ % Debentures due 1992	40,000,000	40,000,000	40,000,000
Capitalized lease obligation	6,535,000	6,770,000	6,770,000
Other long-term liabilities	10,268,519	10,397,416	8,919,969
	80,553,519	82,167,416	80,689,969
Deferred Federal Income Taxes	4,136,727	3,734,783	3,693,950
Minority Interests and Reserve for Restricted Currency			
Income — Note A	6,456,567	7,275,022	7,275,022
Shareholders' Equity			
Capital stock — Notes C and D:			
Cumulative Convertible Preferred Shares	7,513,925	12,080,650	12,080,650
Serial Preferred Shares	387,100	387,100	—
Common Shares	8,175,411	8,066,341	7,411,751
Capital in excess of par value	70,471,315	64,821,072	58,221,408
Retained earnings — Note B	275,222,453	250,300,984	234,989,670
	361,770,204	335,656,147	312,703,479
	\$622,705,289	\$559,450,966	\$529,554,426

See notes to consolidated financial statements.

Statement of Consolidated Shareholders' Equity Eaton Yale & Towne Inc. and Subsidiaries

Years ended December 31, 1968, and December 31, 1967

	Cumulative Convertible Preferred Shares	Serial Preferred Shares	Common Shares	Capital in Excess of Par Value	Retained Earnings
Balance at January 1, 1967 as previously reported	\$13,467,650	\$ —	\$7,351,214	\$55,760,040	\$223,042,989
Acquisition of companies accounted for as poolings of interests—Note A.....		387,100	667,090	6,639,735	13,955,687
Balance at January 1, 1967 as restated...	13,467,650	387,100	8,018,304	62,399,775	236,998,676
Common Shares issued:					
55,480 shares from conversion of Preferred Shares	(1,387,000)		27,740	1,359,260	
65,594 shares from exercise of stock options			32,797	1,095,779	
Purchase of 25,000 Common Shares for treasury			(12,500)	(72,211)	(703,362)
Transactions of pooled company prior to acquisition				38,469	
Net income for the year					35,428,416
Cash dividends:					
Common Shares—\$1.25 a share					(18,453,005)
Cumulative Convertible Preferred Shares—\$1.19 a share.....					(619,297)
Pooled companies prior to acquisition.					(2,350,444)
BALANCE AT DECEMBER 31, 1967.	12,080,650	387,100	8,066,341	64,821,072	250,300,984
Common Shares issued:					
182,669 shares from conversion of Preferred Shares	(4,566,725)		91,335	4,475,390	
88,971 shares from exercise of stock options			44,485	1,428,639	
Purchase of 53,500 Common Shares for treasury			(26,750)	(253,786)	(1,377,978)
Net income for the year					49,198,454
Cash dividends paid:					
Common Shares—\$1.33 a share					(21,136,265)
Cumulative Convertible Preferred Shares—\$1.19 a share.....					(446,602)
Pooled companies prior to acquisition..					(1,316,140)
BALANCE AT DECEMBER 31, 1968.	\$ 7,513,925	\$ 387,100	\$8,175,411	\$70,471,315	\$275,222,453

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements Eaton Yale & Towne Inc. and Subsidiaries

December 31, 1968

Note A—Consolidation Policy

The consolidated statements include the accounts of the Company and all subsidiaries except finance subsidiaries, which are carried at equity. Income of subsidiaries in areas subject to currency restrictions has not been included in consolidated net income.

During 1968 and shortly thereafter, two companies were acquired in exchange for 1,309,181 Common Shares and 774,200 shares of a new issue of Serial Preferred Shares. These acquisitions were accounted for as poolings of interests and accordingly the consolidated financial statements for 1968 and 1967, as restated, include the accounts of the acquired companies. The operations of companies acquired for cash during the year have been included in the statement of income from their respective dates of acquisition.

Financial statements of foreign (including Canada) divisions and subsidiaries have been translated at the appropriate rates of exchange into United States dollars, and the resulting gains or losses are included in the statement of income. Net current assets and net assets of such divisions and subsidiaries amounted to approximately \$46,000,000 and \$89,000,000, respectively, at December 31, 1968, and their net sales and net income for 1968 were approximately \$204,000,000 and \$11,000,000, respectively.

Note B—Long-Term Liabilities

The indentures relating to the Debentures require the Company to make annual sinking fund payments of \$1,250,000 (1969 to 1987), and \$2,000,000 (1973 to 1991). The indentures also include certain restrictive covenants covering payments of cash dividends, purchases of Company stock and maintenance of working capital. Under the most restrictive covenant, retained earnings of \$109,000,000 at December 31, 1968, are free of such restrictions. The capitalized lease obligation (4%–4½%) requires annual rentals to April 1, 1987.

Note C—Capital Stock

The authorized and issued shares of capital stock at December 31, 1968, were as follows:

	Shares	
	Authorized	Outstanding
4¾% Cumulative Convertible Preferred Shares	600,000	
Par Value \$25.00 a share—convertible into one Common Share, redeemable beginning 1969 at \$25.50 a share, liquidation value \$25.00 a share		300,557
Serial Preferred Shares	5,000,000	
\$2.30 Series A—convertible into one Common Share, redeemable beginning 1974 at \$45.00 a share, stated value \$.50 a share, liquidation value \$40.00 a share		774,200
Common shares	40,000,000	
Par Value \$.50 a share—excluding 113,812 shares in treasury		16,350,822

Each share of preferred stock generally has the same voting rights as a share of common stock. The aggregate liquidation value of the Serial Preferred Shares is \$30,968,000. There were 1,074,757 Common Shares at December 31, 1968, reserved for the conversion of Preferred Shares. 1968 net income per share would be \$2.77, assuming full conversion of all Preferred Shares and exercise of all stock options.

Note D—Stock Options

Options granted under the 1966 qualified stock option plan are granted at the fair market value and, subject to termination of employment, expire five years from date of grant, are nontransferable other than on death, and are exercisable after eighteen months of continuous employment from date of grant as to twenty-five percent of the shares, and after each additional year of continuous employment exercisable as to an additional twenty-five percent. There were 100,455 Common Shares at December 31, 1968, (199,036 shares at January 1, 1968) available for future granting of options. The periods for granting options under prior restricted stock option plans have expired. Option activity during the year was:

	Number of Shares		Option Price
	1966 Plan	Prior Plans	
Outstanding January 1, 1968	389,574	189,705	\$10.65 to \$32.75
Granted	118,252	—	42.31
Exercised	(20,042)	(68,929)	10.65 to 25.88
Canceled	(19,671)	(6,469)	14.16 to 42.31
Outstanding December 31, 1968	468,113	114,307	10.65 to 42.31

Options of a pooled company were assumed during the year, and information pertaining thereto has been included with prior plans data.

Note E—Depreciation and Amortization

The Company provides for depreciation of property, plant, and equipment on the straight-line method. A change by certain divisions to this method during the year did not have a significant effect on 1968 net income. Patents and other intangible assets are being amortized over the statutory lives of the respective assets on the straight-line method; the excess of cost over value of net assets of companies acquired is not being amortized because, in the opinion of management, there has been no decrease in value.

Note F—Pensions

The Company and its subsidiaries have pension plans covering the majority of their employees. The total pension expense for the year was approximately \$13,500,000, which included amortization of prior service costs over 30 years, and an increase of approximately \$2,200,000 due to amendments in several plans. Pension plan expense accrued is funded. The actuarially computed value of unfunded vested benefits for all plans was approximately \$32,500,000 at December 31, 1968.

Report of Independent Accountants

Board of Directors and Shareholders
Eaton Yale & Towne Inc.
Cleveland, Ohio

We have examined the consolidated balance sheet of Eaton Yale & Towne Inc. and subsidiaries as of December 31, 1968, and the related statements of consolidated income, shareholders' equity, and source and application of funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We previously made a similar examination of the consolidated financial statements for the preceding year.

In our opinion, the accompanying balance sheet and statements of income, shareholders' equity, and source and application of funds present fairly the consolidated financial position of Eaton Yale & Towne Inc. and subsidiaries at December 31, 1968, the consolidated results of their operations, changes in shareholders' equity, and the source and application of funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

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Cleveland, Ohio
February 7, 1969

Five Year Consolidated Financial Summary Eaton Yale & Towne Inc. and Subsidiaries

Yearly Results

Year	Net Sales	Income Before Taxes	Income Taxes	Net Income	Per Common Share		Depreciation and Amortization	Expenditures For Plant and Equipment(3)
					Net Income(2)	Dividends		
1968...	\$889,826,346	\$103,837,454	\$54,639,000	\$49,198,454	\$2.89	\$1.33	\$21,730,455	\$33,253,792
1967...	786,638,485	73,781,416	38,353,000	35,428,416	2.05	1.25	23,002,976	37,575,011
1966...	831,882,460	106,317,778	50,350,000	55,967,778	3.35	1.21	18,696,326	46,204,291
1965...	732,829,511	92,213,308	44,859,000	47,354,308	2.83	1.08	15,666,893	32,298,151
1964...	586,232,206	69,845,415	34,805,800	35,039,615	2.07	.95	15,313,293	19,887,345

Year End Position

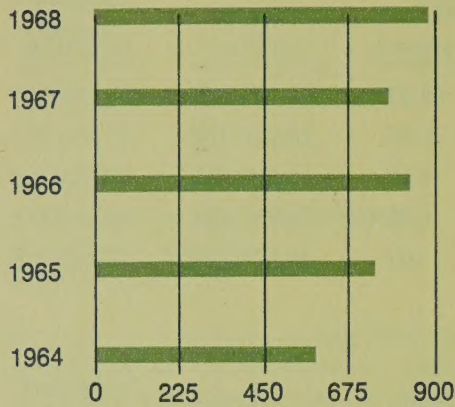
Year	Working Capital	Plant and Equipment Gross	Plant and Equipment Net	Total Retained Earnings	Total Shareholders' Equity	Common Shares Outstanding(2)	Shareholders' Equity Per Common Share(2)
1968...	\$224,042,246	\$351,602,110	\$191,307,044	\$275,222,453	\$361,770,204	16,350,822	\$19.76
1967...	222,217,735	338,893,730	179,187,626	250,300,984	335,656,147	16,132,682	18.12
1966...	185,813,037	312,536,489	165,425,692	236,998,676	321,269,852	16,009,730	17.28
1965...	176,313,919	268,955,550	135,386,548	201,807,713	284,701,674	15,900,745	15.07
1964...	167,385,744	215,995,016	106,039,719	181,981,339	263,107,586	15,814,785	13.78

(1) The acquisitions of Fawick Corporation on March 31, 1968, and Tinnerman Products, Inc. on January 31, 1969, and their respective consolidated subsidiaries, were accounted for as poolings of interests transactions and are included in the above data.

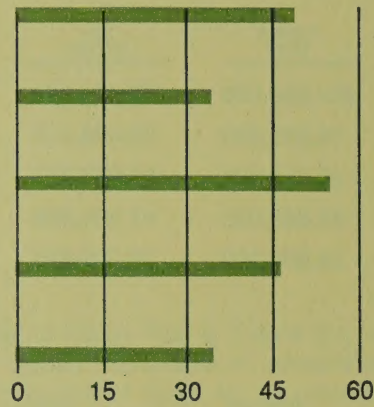
(2) Net income per Common Share is based on the average number of shares outstanding for each year, retroactively adjusted for the pooling of interests in 1968, and the 2 for 1 stock split in July 1966 (after giving effect to annual preferred dividend requirements). Shareholders' equity per Common Share is based on shares outstanding at the year end.

(3) Does not include plant and equipment obtained through the acquisition of other businesses or added through the inclusion in 1965 of previously unconsolidated subsidiaries.

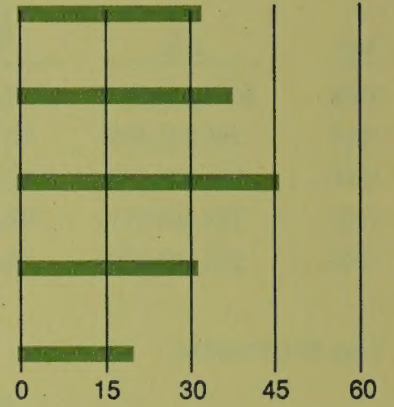
Net Sales in Millions of Dollars



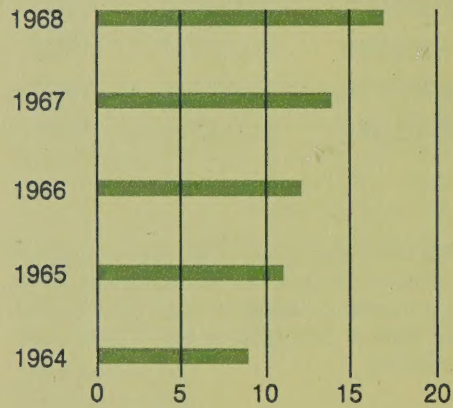
Net Income in Millions of Dollars



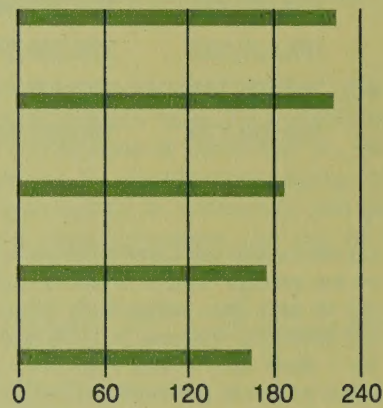
Capital Expenditures in Millions of Dollars



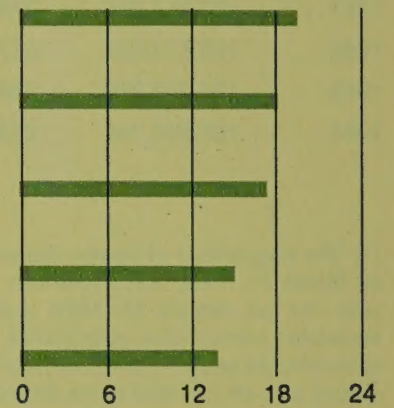
Research and Development Expenditures in Millions of Dollars



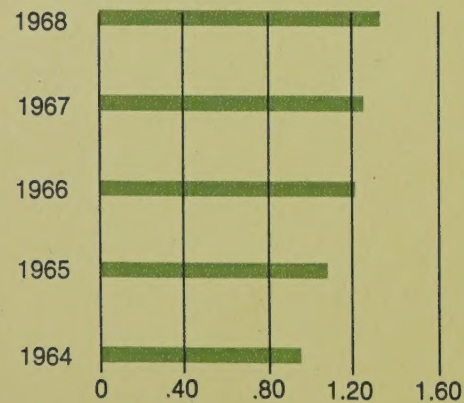
Working Capital in Millions of Dollars



Shareholders' Equity Per Common Share in Dollars



Cash Dividends Per Common Share in Dollars



Earnings Per Common Share in Dollars

